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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of Washington by:

PETER I. HWANG,

Respondent.

S-02-245-03-TO01

SUMMARY ORDER TO CEASE AND  
DESIST AND NOTICE OF INTENT TO  
IMPOSE FINES

Case No. S-02-245

THE STATE OF WASHINGTON TO: Peter I. Hwang

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent, Peter I. Hwang, has violated the Securities Act of Washington and that his violations justify the entry against each of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondent to cease and desist from such violations and imposing fines would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

**I. Respondent**

1. **PETER I. HWANG** ("Hwang") was registered with the state of Washington as a securities salesperson with First Montauk Securities Corp. ("First Montauk") from April of 2001 until his

1 termination in July of 2002. Hwang was also registered with the state of Washington as a securities  
2 salesperson for PaineWebber Incorporated (“PaineWebber”) from November of 1996 to January of 1999.  
3 His last known residence was located in Issaquah, Washington.

## 4 **II. Nature of the Conduct**

5 2. Mrs. B.<sup>1</sup>, an elderly Korean immigrant and Washington resident, was initially contacted by  
6 Hwang in approximately July of 1997. At that time, Mrs. B. opened an account with PaineWebber and  
7 Hwang acted as her account representative. Mrs. B.’s investment objective was to provide for her  
8 retirement. Before meeting Hwang, Mrs. B. had no prior investment experience. Hwang continued to  
9 handle the account until his departure from the firm in January of 1999. At that time, Mrs. B.’s account  
10 was transferred to another PaineWebber representative.

11 3. Mrs. B. was next contacted by Hwang in approximately December of 1999. Hwang told  
12 Mrs. B. he was in the securities business for himself and could invest Mrs. B.’s funds for her.

13 4. Hwang instructed Mrs. B. to write him a check so that he could invest her funds on her  
14 behalf. On or about January 25, 2000, Mrs. B. gave Hwang, at his instruction, a personal check dated  
15 January 25, 2000 drawn on her PaineWebber brokerage account for \$89,000 payable to “Mr. Hwang”.  
16 Hwang deposited the check to his own brokerage account at Merrill Lynch on or about January 25, 2000,  
17 and the funds were received in the account on January 27, 2000.

18 5. Beginning in February of 2000 and continuing through at least June of 2000, Hwang used  
19 Mrs. B.’s funds to purchase securities in his Merrill Lynch account. Specifically, Hwang purchased a  
20 series of options contracts, including put and call contracts on the S&P 100 Index, put and call contracts  
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22 <sup>1</sup> The person’s full name is omitted for the purposes of privacy protection.

1 on the NASDAQ-100 Index Tracking Stock, and several call contracts on BEA Systems, Inc., Internap  
2 Network Services Corporation, and Cisco Systems, Inc. Overall, Hwang realized a net loss of all  
3 \$89,000 of Mrs. B.'s investment funds by the end of June 2000.

4 6. Over the course of the next few months, Mrs. B. spoke with Hwang several times. Hwang  
5 told Mrs. B. that he had not yet invested her money because the timing was not right to invest in the stock  
6 market.

7 7. Mrs. B. met with Hwang in approximately July of 2000. Hwang represented to Mrs. B. that  
8 he had recently invested her money in Microsoft and Cisco stock. In fact, no Microsoft or Cisco stock  
9 was purchased in Hwang's account. Mrs. B. asked him for an account statement at their meeting but  
10 Hwang would not provide her with one. Mrs. B. then demanded the return of her money. Hwang  
11 refused, saying that Mrs. B. would have to wait three years for her money. Hwang would not explain  
12 why her funds would be unavailable for a three-year period of time.

13 8. In December of 2000, Hwang told Mrs. B. that her original investment of \$89,000 was now  
14 worth approximately \$20,000, but that she should invest more money through him because the timing  
15 was right to get back into the stock market. Mrs. B. was extremely worried about the substantial loss she  
16 has suffered and felt her only way to recover her funds was to invest more with Hwang. Hwang stated to  
17 Mrs. B. that he was going to invest her funds in Microsoft and Cisco. At Hwang's instruction, Mrs. B.  
18 gave him two personal checks on or about January 22, 2001 for \$5,250 and \$4,000, both payable to  
19 "Peter Hwang". Hwang cashed the checks and did not invest the funds as promised.

20 9. Mrs. B. never received any documentation evidencing her investments with Hwang.

21 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:  
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## CONCLUSIONS OF LAW

1. The offer and/or sale of the investments described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

2. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because, as set forth above in paragraphs 2 through 9 of the Tentative Findings of Fact, Respondent made untrue statements of material fact and/or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

3. Respondent has violated RCW 21.20.040 by offering said securities while not being registered as a broker-dealer or securities salesperson in the state of Washington.

## EMERGENCY

The Securities Administrator finds that an emergency exists and that the continued violations of RCW 21.20.010 constitute a threat to the investing public. Accordingly, a Summary Order to Cease and Desist from those violations is in the public interest and necessary for the protection of the investing public.

## SUMMARY ORDER

Based upon foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that Peter I. Hwang cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act.

It is further SUMMARILY ORDERED that Peter I. Hwang cease and desist from violating RCW 21.20.040 by acting as a securities broker-dealer or securities salesperson without being so registered.

## NOTICE OF INTENT TO IMPOSE FINES

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator finds that one or more knowing or reckless violations of the Securities Act have occurred such

1 that the imposition of fines is appropriate pursuant to RCW 21.20.395. Therefore, the Securities  
2 Administrator intends to order that the Respondent be liable for and pay a fine of Ten Thousand Dollars  
3 (\$10,000).

4 **AUTHORITY AND PROCEDURE**

5 This Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395, and is  
6 subject to the provisions of Chapter 34.05 RCW. The Respondent may make a written request for a  
7 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR  
8 HEARING accompanying this Order.

9 If the Respondent does not request a hearing, the Securities Administrator intends to adopt the  
10 foregoing Tentative Findings of Fact and Conclusions of Law as final, impose the fine sought and make  
11 the Summary Order to Cease and Desist permanent as to the Respondent.

12 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

13 DATED this 12 day of May, 2003.

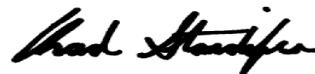
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16 DEBORAH R. BORTNER  
17 Securities Administrator

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19 Approved by:

Presented by:

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21 

22 Michael E. Stevenson  
Chief of Enforcement

Chad Standifer  
Staff Attorney